

Message Text

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PAGE 01 BRASIL 03601 081457Z

47

ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 PA-01 PRS-01 /080 W

----- 067063

R 081340Z MAY 75

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 9115

INFO AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

LIMITED OFFICIAL USE BRASILIA 3601

E.O. 11652: N/A

TAGS: EFIN, BR

SUBJ: FINANCIAL INFLOWS AND RESERVE DRAWDOWNS

1. FINANCE MINISTER SIMONSEN SAID IN A SPEECH ON MAY 5 THAT CAPITAL INFLOWS IN APRIL SHOWED A SATISFACTORY IMPROVEMENT OVER THE TREND IN PREVIOUS MONTHS. HE STATED THAT FINANCIAL FLOWS AMOUNTED TO \$500 MILLION DURING APRIL, BRINGING THE CUMULATIVE INFLOW FOR THE FIRST FOUR MONTHS TO \$1.4 BILLION. THE MINISTER HAD SAID IN A PREVIOUS STATEMENT TO THE PRESS THAT DIRECT INVESTMENTS AVERAGED ABOUT \$82 MILLION PER MONTH DURING THE FIRST QUARTER.

2. COMMENT: IN ADDITION TO THE INFLOW FIGURES ANNOUNCED BY THE MINISTER, WE ESTIMATE THAT BRAZIL PROBABLY OBTAINED AN ADDITIONAL \$500 MILLION DURING THE FIRST QUARTER BETWEEN SUPPLIERS' CREDITS AND MULTILATERAL AND BILATERAL AID -- THUS BRINGING GROSS CAPITAL INFLOWS DURING THIS PERIOD TO

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\$1,500 MILLION (I.E., \$900 MILLION FINANCIAL FLOWS,

\$250 MILLION DIRECT INVESTMENTS AND \$500 MILLION
SUPPLIERS' CREDITS, MULTILATERAL AND BILATERAL AID).
AFTER DEDUCTING FROM THIS SUM DEBT AMORTIZATIONS
PAYMENTS OF ABOUT \$600 MILLION, WE PROJECT THAT
NET CAPITAL INFLOWS DURING THE FIRST THREE MONTHS
CAME TO ABOUT \$1.0 BILLION. WITH A KNOWN TRADE
DEFICIT IN THE FIRST QUARTER OF CLOSE TO \$900
MILLION, AND AN ESTIMATED SERVICE ACCOUNT DEFICIT
OF \$700 MILLION, THE CURRENT ACCOUNT WAS PROBABLY
NEGATIVE BY \$1.6 BILLION. GIVEN A CURRENT ACCOUNT
DEFICIT OF *1.6 BILLION, AND A NET CAPITAL INFLOW
OF \$1.0 BILLION, OFFICIAL RESERVES PROBABLY
DROPPED BY \$600 MILLION.
CRIMMINS

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Message Attributes

Automatic Decaptioning: X
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Draft Date: 08 MAY 1975
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Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
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Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Drafter: n/a
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Film Number: D750162-0160
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Handling Restrictions: n/a
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05 JUL 2006

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To: STATE
Type: TE
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